



# WE ARE:



# LEADERS IN DATA STORAGE

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(left to right): Frank Russomanno, Executive Vice President and Chief Operating Officer; Bruce Henderson, Chairman and Chief Executive Officer; Paul Zeller, Vice President and Chief Financial Officer

# DEAR FELLOW IMATION SHAREHOLDERS:

## IMATION'S ENDURING COMMITMENT TO LEADERSHIP

Since last spring, when I joined Imation as Chairman and Chief Executive Officer, I've met many customers, investors and employees of Imation, all committed to the Company's success. Now I am very pleased to present the 2004 Annual Report to Shareholders, not just recounting the developments of the year ended, but also looking toward the future.

This past year was a year of change — in the industry, in technology, and within Imation. The Company saw new executive leadership, a new organization, competitive challenges in our business as well as significant accomplishments in our technology, manufacturing capabilities, and our overall industry position. It was also a year of increased focus and decisive action. As we enter 2005, we remain committed to our stated goal of leadership in the data storage industry. That is who we are. The report you have in front of you describes how we are not just maintaining, but also strengthening our industry leadership.

## 2004 — A YEAR OF CHALLENGES AND ACCOMPLISHMENTS

We had a strong start and finish to the year, but had two difficult quarters in mid-year. Pricing in optical products fell much further and faster than the industry had anticipated and demand in the data center temporarily slowed in the face of economic uncertainty. As a result, we missed our revenue and profit objectives for 2004. We did not wait in expectation that things would somehow get better. Instead, we took aggressive action to align our cost and organizational structure to the market realities we face going forward. At year-end we saw positive momentum returning to our core tape products, improvement in optical profitability and near record cash generation in the fourth quarter. I believe that the aggressive actions we took to reduce costs and address our business challenges position us for improvement in overall profitability in 2005.

One of Imation's strengths is its significant cash generation capability, which gives us flexibility and a very solid financial position. We ended the year with \$440 million in cash and liquid investments, up \$15 million from the previous year. We also invested more than \$90 million in research and development and capital spending for future profitable growth, and returned in excess of \$100 million in cash to shareholders through share buyback and dividends.

We achieved several noteworthy operational milestones in 2004. The most significant was the opening of our state-of-the-art Tera Ångström™ tape coating facility in Oklahoma, which we believe positions Imation as a clear leader in magnetic tape

technology. We also launched innovative new product offerings in our optical business in 2004 and early 2005 that differentiate Imation from our competitors by targeting a customer segment we call *Memory Keepers*, consumers who recognize the value of their digital photos, video, music and records and who want optical media that meets their need for quality and reliability. Our newly introduced USB flash drive, holding up to two gigabytes of data, gained industry accolades for its innovative, "never lose" swivel cap design.

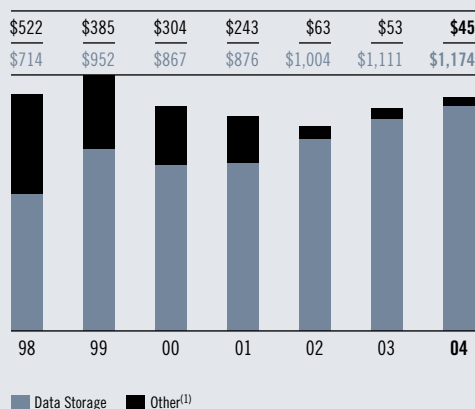
#### NEW EXECUTIVE TEAM AT IMATION

After more than eight years of leading Imation from its creation in 1996, Bill Monahan retired in 2004. His legacy —

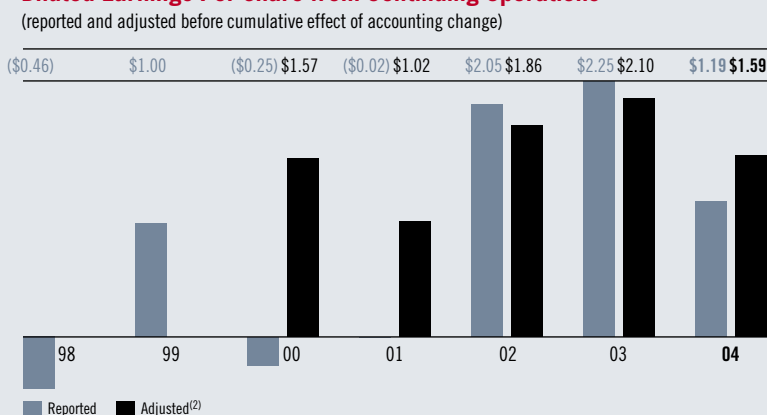
a resilient company with a solid business and market position, an experienced and skilled management team, and a highly ethical culture — created a very strong foundation for the future. I personally feel fortunate to have been asked by the Imation Board of Directors to step into the opportunity and build on that legacy. As Imation shareholders, we all say: "Thank you, Bill, and best wishes."

In addition to the broad and deep talent that existed when I joined the Imation team, I am fortunate to have two experienced executives, with the Company since spin, who recently assumed important roles with broad responsibilities. Frank Russomanno, executive vice president and chief operating officer, brings more

#### Revenue\* (dollars in millions)



#### Diluted Earnings Per Share from Continuing Operations\*



\* See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations" in the Company's Form 10-K for a description of the basis of presentation of the financial information presented in this table and charts.

<sup>(1)</sup> Other revenue includes Specialty Paper and results from businesses subsequently divested.

<sup>(2)</sup> Adjustments to income from continuing operations before cumulative effect of accounting change include:

- In 2004, \$25.2 million in pre-tax restructuring and other charges.
- In 2003, a pre-tax gain of \$11.1 million primarily related to outstanding transition services payments for the color proofing and color software business sold in 2001, a \$0.7 million pre-tax reversal of previously for a litigation

than two decades of experience in magnetic media to this senior role, where he leads worldwide sales and marketing operations as well as R&D, manufacturing, sourcing and information technology. With Frank leading operations, I can focus more of my energy and attention, as chairman and chief executive officer, on strategy and corporate direction. Paul Zeller was named chief financial officer in 2004. In this role, Paul brings more than twenty years of experience and leadership in global finance and public accounting as well as deep understanding of Imation's businesses. I can assure you that your entire senior management team is focused on and committed to creating shareholder value.

### ORGANIZING FOR SUCCESS

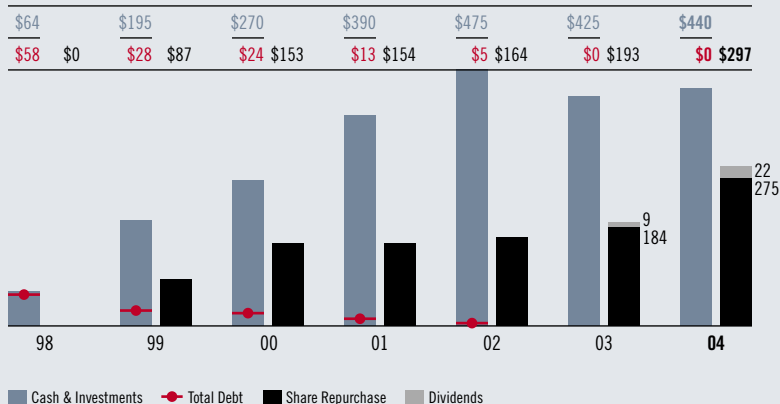
We continue to evolve as an organization and a business, anticipating future opportunities and reacting to market changes. Recognizing that our cost structure was not right for our future business, we took several difficult but necessary steps. First, we announced plans to close our tape coating facility in Tucson before the end of 2005. We also aligned our organizational structure to be regionally based in the Americas, Europe and Asia. This significantly reduced cost and corporate bureaucracy at headquarters while unleashing the initiative, entrepreneurial spirit and creativity of our sales and marketing teams who are closest to the customer and channel. I am very excited by the energy, enthusiasm and sense of purpose that I see in our regional teams.

In 2004, we also began a longer-term transformation to become a *Lean Enterprise*, with Imation's manufacturing and supply chain operations the first to adopt lean principles. These principles encompass all key business functions and processes and will result in greater speed, higher quality and competitive cost. The whole enterprise will undergo this transformation over the next few years, as Imation becomes an even stronger, more flexible and faster company than it is today.

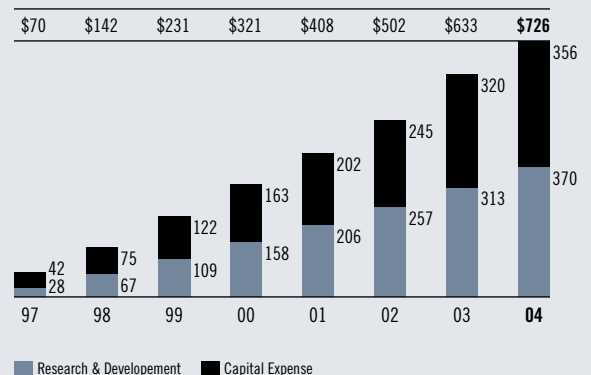
### FOCUS ON BUILDING FOR THE FUTURE

Imation has entered a new phase of its life as a company. In its early years, Imation was busy divesting operations that were not in the data storage business.

**Cash, Debt and Cumulative Share Repurchase & Dividends\*** (dollars in millions)



**Cumulative Data Storage Research & Development and Capital Expenditures** (dollars in millions) (from 1997 to 2004)



- In 2002, a pre-tax \$7.4 million litigation benefit due charge for a litigation issue in Spain, \$5.8 million pre charge of \$1.8 million.
- In 2001, pre-tax special charges of \$0.6 million administrative expenses (SG&A) in the color software business.
- In 2000, pre-tax special charges of \$7.5 million in cost of goods and \$2.3 million in SG&A, \$24.4 million in pre-tax restructuring charges, a \$60.8 million pre-tax charge in SG&A for amortization related to computer software that was abandoned, and \$2.6 million pre-tax in reversals of previously recorded charges due to lower than expected costs of restructuring.

With these organizational changes and restructuring behind us, we head into 2005 with a singular focus on strengthening our position and relevance in the data storage industry. As we begin that effort, we have laid out five priorities for 2005.

**1. Meet or exceed 2005 financial commitments:**

We seek to achieve sales of \$1.26 billion to \$1.28 billion (3% to 5% growth), operating income of \$87 million to \$92 million (10% to 16% adjusted growth\*) and fully diluted earnings per share of \$1.75 to \$1.82.

**2. Defend and grow our key product lines of business:**

Our 2005 objectives in magnetic products include ramp up of our Tera Ångstrom coater to full capacity, timely launch of new products, continued reduction of manufacturing costs on existing products, and optimization of existing businesses. In optical products, we seek to establish best-in-class supply chain costs, strengthen cornerstone account programs, implement rapid fulfillment capability for custom product designs, and gain a leadership position in higher value *Memory Keepers* market segments. In the flash market, our 2005 goals are to generate incremental gross margin dollars as we strengthen our market position through strategic partners and innovative designs.

**3. Build on our new, regionally focused organization:**

We will leverage regional entrepreneurship, creativity, experience and leadership around the globe and achieve faster decision making throughout the organization — less bureaucracy and more empowerment.

**4. Transform Imation into a *Lean Enterprise*:**

We seek to achieve world-class manufacturing operations within two years, characterized by very short lead times, six-sigma quality levels (3 parts per million defects), 99 percent on-time and in-full delivery and significantly improved inventory performance. In 2005, we are focused on increasing the speed and reducing the costs of key business processes — order-to-cash cycle, the financial close process, product development, and sales and operations planning.

**5. Expand the company through new growth initiatives:**

Imation's strong balance sheet and cash generating capability are assets that we intend to use to generate shareholder value, looking at all possible strategic options including internal and external investments in addition to share repurchase and dividends. In 2005, we will seek value-creating acquisitions, joint ventures and alliances in data storage and evaluate and implement our advanced optical business strategy for high capacity blue laser discs (e.g. BluRay and HD-DVD formats).

We look forward to updating you on our progress against each of these priorities throughout the year.

**IMATION'S UNWAVERING COMMITMENT**

Change is constant in this industry. Fiscal 2004 has been a year of significant change — both for Imation and the data storage removable media marketplace — with continued technology advances, tough competition, and unrelenting price and cost pressure.

In the face of this change, one constant remains: our commitment to leadership in the data storage industry. In the pages that follow, we describe the solid foundation on which we are building and extending that leadership; our deep technology and manufacturing leadership; our global market footprint, portfolio breadth and channel depth; and our commitment to operational excellence. I encourage you to look through this report, including the company's Report on Form 10-K, to better understand our direction, strengths and capabilities. On behalf of the entire Imation team, I want to thank you for your interest and support.

Sincerely,



Bruce Henderson,  
CEO and Chairman of the Board  
March 10, 2005

\*Adjusted for growth over 2004 without restructuring and other charges.

# SELECTED CONSOLIDATED FINANCIAL DATA\*

In millions, except employee and per share data.

| For the Years Ended December 31,   | 2004       | 2003       | 2002       | 2001       | 2000       | 1999       | 1998       |
|--|------------|------------|------------|------------|------------|------------|------------|
| <b>Statement of Operations Data</b>  |            |            |            |            |            |            |            |
| Net revenues   | \$ 1,219.3 | \$ 1,163.5 | \$ 1,066.7 | \$ 1,119.3 | \$ 1,171.3 | \$ 1,337.2 | \$ 1,236.4 |
| Gross profit   | 299.9      | 334.7      | 327.8      | 335.4      | 339.0      | 408.3      | 387.6      |
| Selling, general and administrative  | 163.9      | 166.3      | 176.9      | 232.0      | 312.7      | 280.0      | 347.0      |
| Research and development   | 56.9       | 57.0       | 50.6       | 62.1       | 64.1       | 72.5       | 77.2       |
| Litigation   | —          | (1.0)      | (6.4)      | —          | —          | —          | —          |
| Restructuring and other  | 25.2       | (0.7)      | (4.0)      | 48.0       | 21.8       | —          | (16.6)     |
| Gain on sale of businesses   | —          | (11.1)     | —          | (1.9)      | —          | —          | —          |
| Loan impairment  | —          | 4.6        | —          | —          | —          | —          | —          |
| Operating income (loss)  | 53.9       | 119.6      | 110.7      | (4.8)      | (59.6)     | 55.8       | (19.9)     |
| Income (loss) from continuing operations before cumulative effect of accounting change                     | 42.3       | 81.8       | 73.2       | (0.8)      | (8.7)      | 37.6       | (18.2)     |
| Cumulative effect of accounting change   | —          | —          | —          | —          | (3.4)      | —          | —          |
| Net income (loss)  | 29.9       | 82.0       | 75.1       | (1.7)      | (4.4)      | 43.9       | 57.1       |
| Earnings (loss) per common share from continuing operations before cumulative effect of accounting change: |            |            |            |            |            |            |            |
| Basic  | 1.21       | 2.30       | 2.09       | (0.02)     | (0.25)     | 1.01       | (0.46)     |
| Diluted  | 1.19       | 2.25       | 2.05       | (0.02)     | (0.25)     | 1.00       | (0.46)     |
| Net earnings (loss) per common share   |            |            |            |            |            |            |            |
| Basic  | 0.85       | 2.31       | 2.15       | (0.05)     | (0.13)     | 1.18       | 1.45       |
| Diluted  | 0.84       | 2.26       | 2.11       | (0.05)     | (0.13)     | 1.17       | 1.45       |
| <b>Balance Sheet Data</b>  |            |            |            |            |            |            |            |
| Working capital  | \$ 510.8   | \$ 541.2   | \$ 532.2   | \$ 409.7   | \$ 395.1   | \$ 414.2   | \$ 506.7   |
| Cash and other cash investments <sup>(1)</sup>   | 439.6      | 424.8      | 474.7      | 389.8      | 269.7      | 194.6      | 64.2       |
| Inventories  | 131.3      | 159.4      | 139.0      | 130.3      | 141.2      | 191.3      | 263.7      |
| Property, plant and equipment, net   | 214.4      | 226.5      | 181.5      | 171.2      | 200.7      | 212.8      | 233.8      |
| Total assets   | 1,110.6    | 1,172.8    | 1,119.9    | 1,053.7    | 987.6      | 1,127.6    | 1,313.3    |
| Long-term debt   | —          | —          | —          | —          | —          | 1.1        | 32.7       |
| Total liabilities  | 323.8      | 352.5      | 381.4      | 398.0      | 325.4      | 402.3      | 552.2      |
| Total shareholders' equity   | 786.8      | 820.3      | 738.5      | 655.7      | 662.5      | 725.3      | 761.1      |
| <b>Other Information</b>   |            |            |            |            |            |            |            |
| Current ratio  | 2.9        | 2.8        | 2.7        | 2.2        | 2.4        | 2.2        | 2.2        |
| Days sales outstanding <sup>(2)</sup>  | 45         | 46         | 43         | 48         | 48         | 59         | 77         |
| Days of inventory supply <sup>(2)</sup>  | 53         | 71         | 70         | 67         | 63         | 76         | 97         |
| Return on average assets <sup>(3)</sup>  | 2.6%       | 7.1%       | 6.7%       | (0.1)%     | (0.8)%     | 3.1%       | (1.2)%     |
| Return on average equity <sup>(3)</sup>  | 3.7%       | 10.5%      | 10.5%      | (0.1)%     | (1.3)%     | 5.1%       | (2.5)%     |
| Dividends per common share   | \$ 0.38    | \$ 0.24    | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       |
| Capital expenditures <sup>(4)</sup>  | 35.8       | 75.1       | 42.6       | 47.0       | 50.5       | 64.1       | 132.4      |
| Number of employees <sup>(5)</sup>   | 2,550      | 2,800      | 2,800      | 3,400      | 4,300      | 4,850      | 6,400      |

\* See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations" in the Company's Form 10-K for a description of the basis of presentation of the financial information presented in this table and charts. Net income includes results of discontinued operations.

<sup>(1)</sup> Certain of the Company's funds are in active cash management and are thus classified in other current assets or other assets depending on remaining maturity. These amounts included in the

<sup>(2)</sup> 1998 excludes the imp which was sold on August 2, 1999. 2001 excludes the impact of the color proofing and color software business, which was sold on December 31, 2001. 2002 excludes the impact of the North American digital solutions and services business, which was sold on August 30, 2002.

<sup>(3)</sup> Return percentages are calculated using income (loss) from continuing operations before cumulative effect of accounting change.

<sup>(4)</sup> Capital expenditures in 1998 include \$67.5 million for the purchase of the Company's research and development facility previously under a synthetic lease.

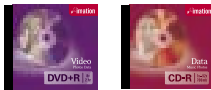
<sup>(5)</sup> Years prior to 2002 include employees of subsequently discontinued operations.



# IMATION-AT-A-GLANCE

## PERSONAL STORAGE

Growing need to more efficiently capture, create and store personal digital information, such as music, photos and videos, creates an increased emphasis on reliability, convenience and portability.



### DVD, CD-R/CD-RW Media

Imation's complete portfolio of optical media provides cost effective solutions for storing content including digital videos, photos and music.



### 1.4MB Diskettes

Imation is the #1 manufacturer of 3.5" branded diskettes worldwide. Highly reliable and available in unformatted or formatted IBM or Macintosh.



### Imation Lifemix™ Digital Greeting Cards

A unique way to send precious memories. Featuring a silk-screened write-once CD-R with a matching greeting card. Available in a variety of themes and designs.



### Imation Recordable CD & DVD Media with ForceField™ Protective Coating

Imation CD & DVD discs with proprietary ForceField Protective Coating add a thin polymer layer of protection on the recording side to guard against scratches, smudges and dust.



### Imation Printable Media

Print directly onto Imation CD or DVD discs for an affordable and easy way to personalize your content.

**Additional Products:**  
CD-R LightScribe Discs

## SMALL/MEDIUM BUSINESS

High growth in the creation and management of digital content increases the need for file management, data backup, archiving and protection for small and medium businesses.



### Imation Travan™ Data Cartridges

Ideal for high-performance backup with compressed capacities up to 40GB. The tape design features high-precision, patented components based on QIC technology for scalability.



### VXA Tapes

VXA X tapes are available in three capacities up to 160GB (compressed). For use in Exabyte VXA-2 drives.



### Imation Recordable DVD Media

Imation's complete portfolio of recordable DVD media, in capacities up to 9.4GB, ideal for the data transfer, backup and archival applications of small businesses.



### Imation USB 2.0 Swivel Flash Drives

Compact and powerful flash devices featuring storage up to 2GB and a "never lose" swivel cap design.

**Additional Products:**  
4mm/8mm Tape Cartridges  
SLR Tape Cartridges

## ENTERPRISE STORAGE

Growing data protection requirements in storage networking/open systems environments require high-performance formats to manage, store and secure their data.



### Imation Ultrium Tape Cartridges

Designed for mid-range network back-up, Imation's patented robust cartridge construction and servo-writing excellence protect data well beyond the LTO standard. LTO Ultrium 3 cartridges store up to 800GB compressed.



### Imation DLTtape™ IV Cartridges

Designed for DLT4000, 7000, 8000, and DLT1/VS 80 drives with up to 80GB compressed capacity.



### Imation Super DLTtape™ Cartridges

The Super DLTtape I cartridge provides flexible capacity and is read/write compatible in both SDLT 220 and SDLT 320 drives.

Increased data collection and retention requirements, and fast growth in the use and management of critical corporate data, are accelerating the need and importance for exceptionally reliable media for data protection, backup, archiving and disaster recovery applications in the data center.



### Imation Black Watch™ 9940 Cartridge

Capacity-centric technology provides a native capacity up to 200GB when used in StorageTek T9940B drives.



### Imation Black Watch™ 9840 Cartridge

Access-centric, dual-hub technology for use in StorageTek T9840, T9840B, and T9840C drives. Provides an average access time of 12 seconds.



### Imation Black Watch™ 3590E Cartridge

Compatible with IBM 3590B, E and H model drives. Provides up to 180GB of compressed capacity when used in the new IBM 3590H model drive.

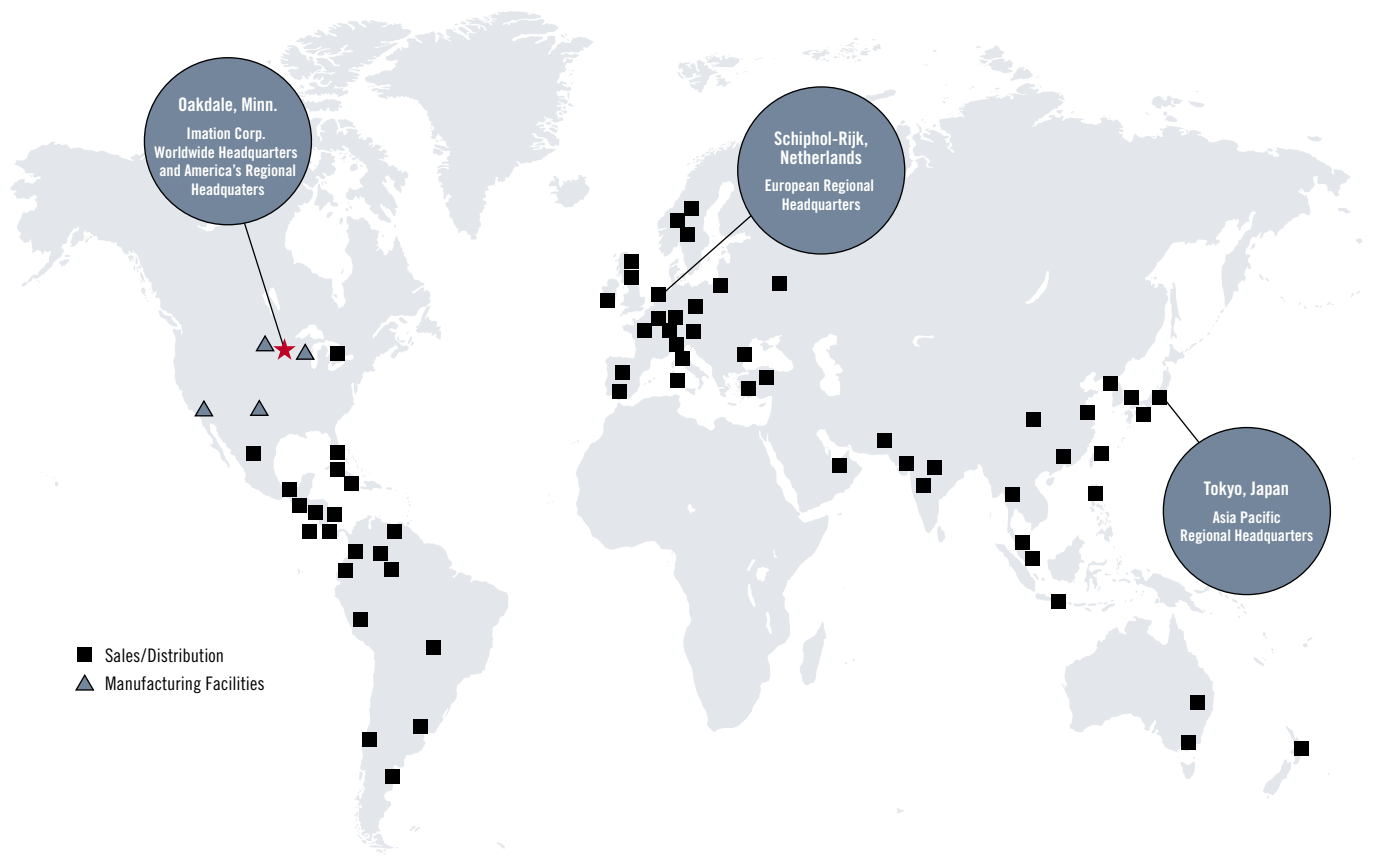
**Additional Products:**  
Black Watch™ 3480/3490E  
Tape Cartridges  
Black Watch™ 3590 Tape Cartridges



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# IMATION IS A GLOBAL COMPANY WITH 58% OF REVENUE FROM OUTSIDE THE U.S.

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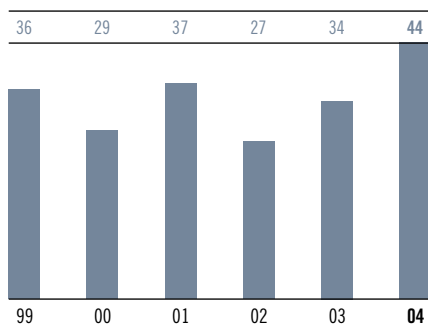




# WE ARE:

# BUILDING INDUSTRY LEADERSHIP ON SUPERIOR TECHNOLOGY AND PRODUCT INNOVATION

U.S. Data Storage Patents Issued



Technology expertise, research and development capabilities, a deep patent portfolio and creative product innovation are key to Imation's leadership in data storage media today. These strengths are critical for our ability to extend our industry leadership by *creating* the future, rather than merely reacting to it.

In 2004, we laid the cornerstone for future generations of high-performance tape. We also introduced differentiated optical and flash products for emerging market segments. With our broadened product portfolio and 44 new U.S. patents awarded in 2004, we reinforced our edge as a global industry leader.

## FROM LABORATORY TO PRODUCTION: AN INTEGRATED APPROACH TO INNOVATION

Success in the fast-moving data storage industry is built on many factors, but it is the ability to deliver products when the

market requires that is key to long-term success. At our Discovery Technology Center in our Oakdale, Minnesota headquarters, we build on the legacy of our 3M heritage: a disciplined product development process and a focus on technologies with broad, long-term commercial potential. Research and pilot production facilities co-located under one roof allow us to move innovations rapidly from the laboratory bench to production.

## TERA ÅNGSTROM TECHNOLOGY TAKES TAPE TO NEW CAPACITIES

Imation's integrated technology development approach was critical to bringing our Tera Ångstrom™ tape coating capability in Weatherford, Oklahoma on line in late 2004 under demanding timelines. We developed this proprietary manufacturing process for production of high-capacity magnetic tape media used in the most demanding data storage applications.

Our Tera Ångstrom facility — the world's first terabyte-class manufacturing plant built from the ground up — is dedicated to production of next-generation tape with aerial densities that will put one terabyte (and beyond) of data on a single tape cartridge to meet the capacity requirements of future tape formats. We achieved bit density, surface smoothness and media uniformity that set new standards. In the fourth quarter of 2004, we began commercial production from our

Tera Ångstrom facility, including the first commercially available 400 gigabyte LTO (Linear Tape Open) Ultrium Generation 3 tape cartridges. Before the end of the decade, Imation expects to deliver one terabyte of data, the equivalent of a million-volume library, in a cartridge about the size of a paperback book.

## OPTICAL PRODUCTS THAT PROTECT AND PRESERVE PRECIOUS MEMORIES

In the CD and DVD marketplace, market segmentation and product differentiation are paramount — both in the product itself and in the packaging that sets it apart on the shelf. Imation identified a high-potential segment called *Memory Keepers*, who recognize the value of quality and reliability when storing their most precious video, music, photo, and data files. We focused our optical product differentiation primarily on this demanding consumer group.

Imation Lifemix™ digital greeting cards with a matching silk-screened CD allow users to personalize their greeting cards by adding music, photos or short videos. ForceField™ CD and DVD discs incorporate an Imation-proprietary coating which guards discs against scratches, dust, and smudges — delivering quality and durability to protect important content.

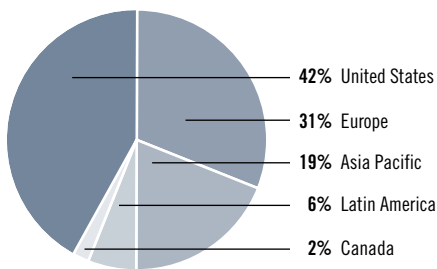


# WE ARE:



# EXPERIENCED GLOBAL LEADERS WITH A BROAD PRODUCT PORTFOLIO AND DIVERSE CHANNEL EXPERTISE

**Percent of Revenue by Region** (fiscal 2004)



Imation's global footprint is broader than the 100-plus countries in which customers purchase our products. No other removable data storage media company enjoys the breadth of product portfolio and diverse channel penetration that Imation does. We can bring new products to market quickly and efficiently, in one targeted region or across the globe, expanding our product portfolio with emerging market trends. Our global reach allows us to test new product ideas regionally before committing to a global launch. Imation's industry experience and infrastructure also enable us to manage worldwide distribution of other companies' products, as well as our own, adding revenue without the need to add significant structure.

## EXPERIENCED GLOBAL LEADERSHIP BUILT OVER DECADES

Entrepreneurial regional teams with years of industry experience have built our global presence and success. Whether dealing with an end-user customer or a channel partner, our regional teams understand how to translate global market dynamics into meeting the needs of their customers. Not surprisingly, Imation holds a leading position with key channel partners around the world.

## LEVERAGING GLOBAL DISTRIBUTION INFRASTRUCTURE AND REACH

To meet the increasing demand for high-capacity optical storage media, we established Global Data Media (GDM), a joint venture marketing company, with Moser Baer India (MBI), a leading optical media manufacturer. GDM integrates the complementary strengths of both partners — from Imation's intellectual property and optical technical expertise to MBI's manufacturing investment and capability.

Leveraging our sales, marketing and distribution reach, we can cost-effectively deliver the broadest product portfolio in the industry. In 2003, building on previous brand distribution agreements with major OEMs, we entered into an agreement with Exabyte Corp. for the exclusive worldwide distribution rights of its VXA and Mammoth tape cartridges used in small and medium businesses.

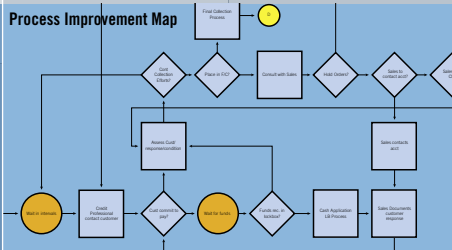
## REGIONAL TECHNICAL CENTERS — MEETING LOCAL NEEDS GLOBALLY

Today's sophisticated data storage solutions require technical support that circles the globe. Imation's commitment to customers is exemplified in our strategically located regional technical centers. Imation's newest, the China Regional Technical Center (CRTC) in Beijing, opened in 2004, is the first tape and optical technical support site in that country. Like its counterparts in Canada, Japan, Germany and two in the U.S., the CRTC tailors its services and support to regional market needs, helping customers optimize return on their storage investments while responding to technical questions.

## LOCALIZATION IN ACTION

Just as distribution channels vary around the world, Imation's product offerings vary based on regional customer preferences. For example, in China consumer brand preference is often built on "product personality." Our Asia team developed thematic and character-based optical discs ranging from whimsical cartoon characters to seasonal scenes — choices that reflect individual consumer personalities. Channel and market creativity of this kind has made Imation an optical media brand leader in Asia.

# WE ARE:





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# LEADERS IN DELIVERING VALUE TO CUSTOMERS AND PARTNERS THROUGH OPERATIONAL EXCELLENCE

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The data storage market is dynamic, with constantly changing technology to meet evolving customer needs. Hitting the mark requires focus, flexibility, speed and an ongoing commitment to doing things right — from taking the order, to making or sourcing a product and ultimately, delivering the right products to customers when they need it. Only then can we say that we have truly satisfied market requirements — the performance expected of a leader.

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## MANUFACTURING LEADERSHIP IS A KEY COMPETITIVE ADVANTAGE

A large part of Imation's strength today is built on its 50-year legacy in tape media engineering and manufacturing excellence. That heritage remains evident in our dedication to product and process innovation and continuous improvement in our manufacturing operations.

Delivering highly complex tape products that customers rely on for holding critical data while rapidly developing and introducing new tape formats requires that we build quality methods and systems into both our development and manufacturing processes. To maintain predictability and drive down costs, we strive for continuous performance improvement in all areas, beginning with our raw material and sourced product suppliers and ending with finished goods. New products are released from the lab to the factory only when they meet

critical pre-defined quality parameters and pass rigorous performance metrics. Manufacturing employees, trained in the use of advanced statistical quality systems, ensure that products meet required specifications before they are shipped to the customer.

Close collaboration and a total systems approach with drive manufacturers is another essential component of maintaining product excellence. If our technical team identifies an opportunity for improvement in overall performance of a tape library, for example, even one that may not relate to our technology, we work with the drive manufacturer to effect the change. Since we are the only U.S.-based data storage tape developer and manufacturer, this approach gives us an advantage with the major drive manufacturers who are also U.S.-based, and ultimately with end users around the world.

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## BEGINNING THE JOURNEY TO A LEAN ENTERPRISE

At the end of 2004, Imation began an important transformation with the systematic introduction of lean principles into the organization. Starting in our manufacturing and customer service operations, lean principles ultimately will infuse every key activity company-wide. Lean principles, developed in Toyota manufacturing operations, are about flexibility, speed, quality, efficiency and delivering value to the customer. Lean principles empower employees to challenge the “usual way” of doing things and drive change by asking, “How do I create value for customers? Where are the bottlenecks, unnecessary steps and waste?” Employing lean principles will deliver higher quality, lower cost and faster action as we eliminate unnecessary effort, reduce defects and increase our velocity.

Imation's Customer Service team was one of the first to implement lean principles. By identifying activities that hindered order entry speed, the team designed and implemented a streamlined process. The results? The steps to enter a customer order were cut by half, errors were reduced, order entry time was cut by a factor of seven and the “order-to-cash” cycle was shortened. Overtime and outstanding receivables are down, providing tangible value to both customers and Imation.





Imatation Senior Management Team (left to right): Richard G. Weiss, John L. Sullivan, Nobuyoshi Kawasaki, Ronald D. Zinke, Jacqueline A. Chase, Paul R. Zeller, Bruce A. Henderson, Frank P. Russomanno, James C. Ellis, Colleen R. Willhite, Bradley D. Allen and Brian J. Plummer

## SENIOR MANAGEMENT TEAM

**Bruce A. Henderson\***

Chairman and Chief Executive Officer

**Bradley D. Allen\***

Vice President, Corporate Communications and Investor Relations

**Jacqueline A. Chase\***

Vice President, Human Resources

**James C. Ellis**

General Manager, Global Product Strategy

**Nobuyoshi Kawasaki**

Vice President, Asia Pacific Region

**Brian J. Plummer**

Vice President, Europe Region

**Frank P. Russomanno\***

Executive Vice President and Chief Operating Officer

**John L. Sullivan\***

Senior Vice President, General Counsel and Corporate Secretary

**Richard G. Weiss**

Vice President, Research and Development

**Colleen R. Willhite**

Vice President, Manufacturing/Lean Enterprise and Specialty Papers

**Paul R. Zeller\***

Vice President and Chief Financial Officer

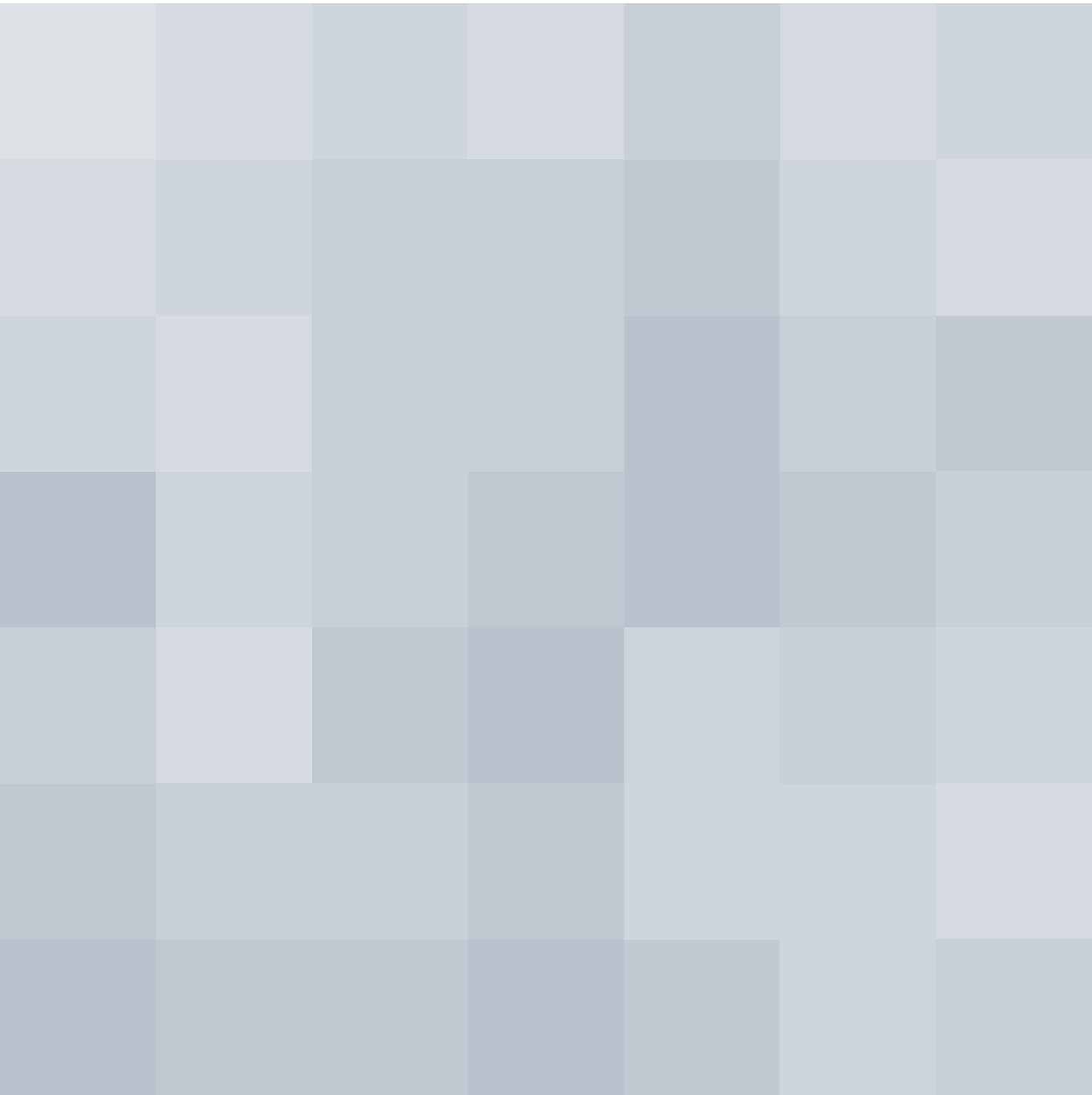
**Ronald D. Zinke**

Vice President, Americas Region

\* Executive Officers

Imatation Management and Board of Directors have established and maintain a strong ethical climate so that our affairs are conducted at the highest standards of personal and corporate conduct. That climate is reflected in Imatation's Business Conduct Policy which applies to all employees and the Board of Directors. A copy of the Business Conduct Policy is available on Imatation's web site at <http://ir.imatation.com> (click on Corporate Governance) or by calling 888-466-6973.

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004 **FORM 10-K**



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## BOARD OF DIRECTORS

**Bruce A. Henderson**

Chairman and Chief Executive Officer,  
Imation Corp.

**Michael S. Fields**

Chairman and Chief Executive Officer,  
The Fields Group  
(a management consulting firm)

**Charles A. Haggerty**

Former Chairman and Chief Executive Officer,  
Western Digital Corporation (retired)  
(a producer of products and services for collection,  
management and use of digital information)

**Linda W. Hart**

Vice Chairman and Chief Executive Officer,  
Hart Group, Inc.  
(a diversified group of companies primarily involved  
in residential and commercial building materials)

**Ronald T. LeMay**

Industrial Partner of Ripplewood Holdings, LLC  
(a private equity fund)  
Chairman,  
October Capital  
(a private investment company)

**L. White Matthews, III**

Former Executive Vice President,  
Chief Financial Officer and Director,  
Ecolab, Inc. (retired)  
(a developer and marketer of cleaning  
and sanitizing products and services)  
Former Executive Vice President,  
Chief Financial Officer and Director,  
Union Pacific Corporation  
(a diversified transportation and energy company)

**Charles Reich**

Former Executive Vice President,  
3M Company, Health Care Business (retired)  
(a global diversified technology company)

**Glen A. Taylor**

Chairman,  
Taylor Corporation  
(a holding company in specialty  
printing and marketing)

**Daryl J. White**

Former President and Chief Financial Officer,  
Legarity, Inc. (retired)  
(a supplier of data and voice  
communications integrated circuitry)  
Former SVP of Finance and Chief Financial Officer,  
Compaq Computer Corporation  
(a computer equipment manufacturer)

## SHAREHOLDER INFORMATION

Investor information is available at  
[investorrelations@imation.com](mailto:investorrelations@imation.com) or  
through Imation's shareholder telephone  
at 888-IMN-NYSE during the business hours  
of 7:00 a.m. to 5:30 p.m. (CST)

**Product Information**

Visit [www.imation.com](http://www.imation.com)

**Annual Shareholders Meeting**

Wednesday, May 4, 2005, 9:00 a.m. (EST)  
Ritz-Carlton Boston Common  
10 Avery Street  
Boston, MA 02111

**Stock Listings**

New York Stock Exchange  
Chicago Stock Exchange  
Ticker symbol: IMN

**Transfer Agent**

The Bank of New York  
Shareholder Relations Department  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
Phone 800-524-4458  
Phone 610-382-7833 (Outside the U.S.)  
Phone 888-269-5221 (Hearing Impaired TDD Phone)  
E-mail [shareowners@bankofny.com](mailto:shareowners@bankofny.com)  
Web site [www.stockbny.com](http://www.stockbny.com)

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
225 South Sixth Street, Suite 1400  
Minneapolis, Minn. 55402

**NYSE CEO Certification and  
Sarbanes Oxley Section 302 Certification**

The 2004 New York Stock Exchange (NYSE) CEO certification  
that the CEO is not aware of any violation of by the Company of  
NYSE Corporate Governance Listing Standards was submitted to  
the NYSE without qualification on May 12, 2004. Imation  
has filed with the Securities and Exchange Commission, as an  
Exhibit to its most recently filed 10-K, the Sarbanes Oxley Act  
Section 302 certification regarding the quality of the company's  
public disclosure.

**www.imation.com**

The name IMATION combines the essence of the  
Company's business — information — with its core  
values of imagination and innovation. The correct  
pronunciation of IMATION is:

im -ā' - shun

As in imagine

As in innovate

As in information

Rhymes with innovation

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**Imation Corp**

1 Imation Place  
Oakdale, MN 55128-3414  
651-704-4000  
888-466-3456 phone  
800-537-4675 fax  
info@imation.com

# LEADERS IN DATA STORAGE